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THE 1962-63 OUTLOOK FOR FOOD FATS AND OILS
IN THE UNITED STATES

ov. 29, 1962
A summary of remarks by George W. Kromer, Head,
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before the Institute of Shortening and Edible Oils, Inc.,
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I appreciate the opportunity to meet with members of the Institute and discuss the 1962-63 outlook for food fats and oils in the United States. My appraisal will include the supply and demand (both domestic and export) for soybeans, soybean oil, cottonseed oil, and lard, with a few appropriate comments on domestic food fat consumption trends.

As figure 1 indicates, the total U. S. supply of edible fats, oils, and oilseeds during the 1962-63 marketing year which began October 1 is forecast at a record 16.5 billion pounds (in terms of oil), about 4 percent more than the peak quantity available last year. The increase in supply is due to larger starting stocks--mainly of soybeans and butter--as output in 1962-63 is likely to be slightly below the 1961-62 level.

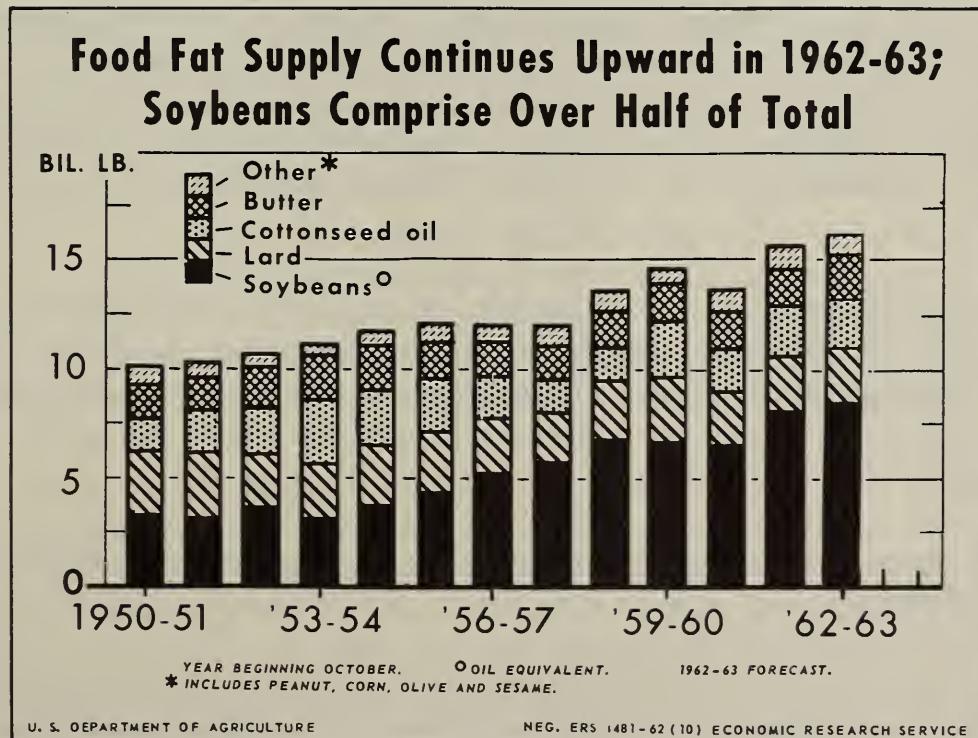


Figure 1

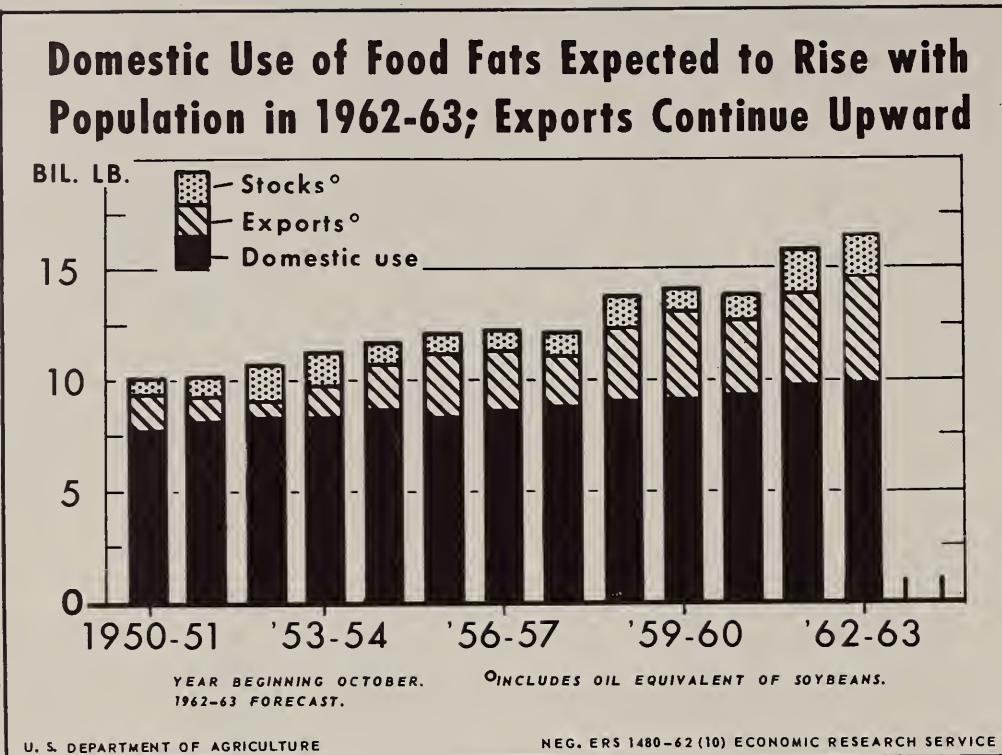


Figure 2

Domestic disappearance of food fats in 1962-63 is expected to continue at about the annual rate of 46 pounds (fat content) per person. With the expected growth in population, total domestic use should increase by about 125-150 million pounds. (Figure 2.) These prospects indicate that the quantities of edible vegetable oils (cottonseed and soybean), lard, butter and soybeans available for export and carry-out stocks in 1962-63 will be a record 7.2 billion pounds, about 6 percent more than last year.

Current prospects are that exports of food fats (including the oil content of soybeans) through September 1963 may set a new record of around 4.9 billion pounds, roughly 20 percent more than the 4.1 billion pounds exported during 1961-62. (Figure 3.) An export volume of this proportion would account for a good one-third of the 1962-63 U. S. output of these commodities.

Some of the main factors in the U. S. export outlook for soybeans and edible vegetable oils are:

(1) Europe will continue to buy more U. S. soybeans because of expanding demand for meal and because European oil stocks probably are lower than last year. Mediocre crops in Communist China will continue to hold Chinese exports of soybeans and other oilseeds to Europe to a low level in 1962-63. Also, less copra and coconut oil are moving in world trade. The consumption

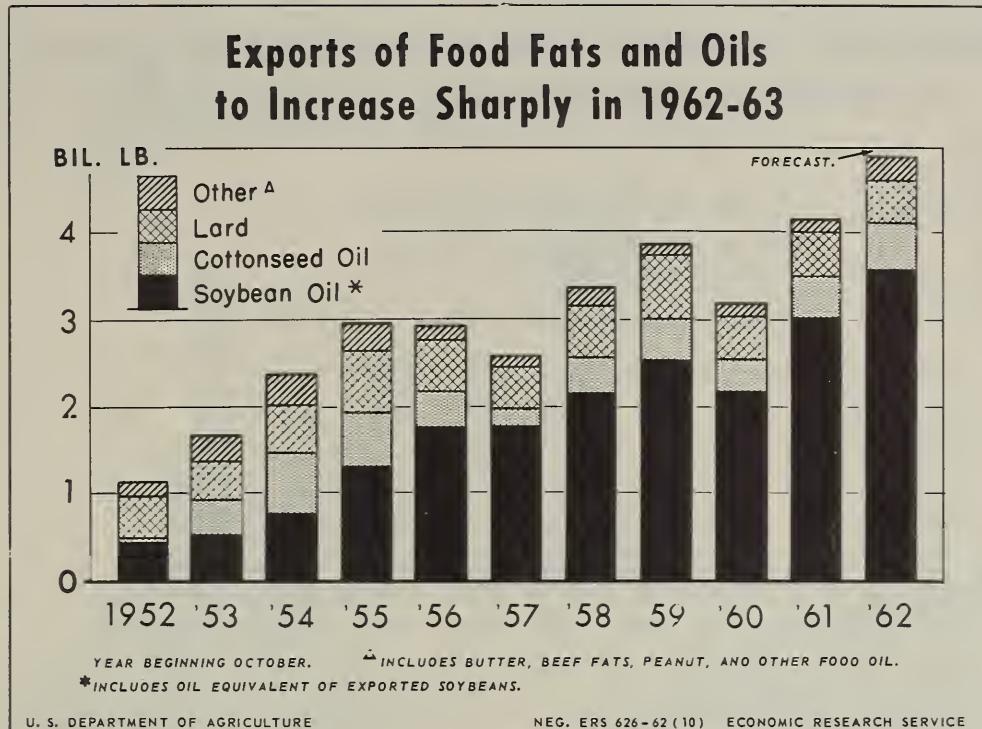


Figure 3

of soybean oil in Europe has been trending upward slowly and the European livestock economy continues to expand. Europe is now going through a rapid expansion in broiler production similar to what occurred in the United States during the past decade. On the other hand, exportable supplies of competitive African peanuts are again likely to be substantial as they were in 1961-62.

(2) Exports to Japan, the major single market for U. S. soybeans, are expected to increase slightly as the upward trend in the consumption of soybeans and soybean products continues in that country. The Japanese Government has postponed action on the liberalization of import restrictions on soybean oil and soybean meal and this should favor increased imports of soybeans.

(3) A sharp expansion in the movement of edible vegetable oils (cottonseed and soybean oils) under the Food for Peace Program (all Titles of P. L. 480)--about 1.3 billion pounds compared with 1.0 billion in 1961-62. Most of the expansion anticipated is under Titles I (sales for foreign currencies) and IV (long term credit sales) of P. L. 480 which will much more than offset a small drop in foreign donations because of the shift to butter.

(4) Exports of soybean oil for dollars to Spain may turn out to be at least as large as in 1961-62 (400 million pounds) because of weather damage to the olive crop in that country.

EDIBLE OIL EXPORTS TO SET NEW RECORD IN 1962-63 AS GOVERNMENT PROGRAMS EXPAND SHARPLY

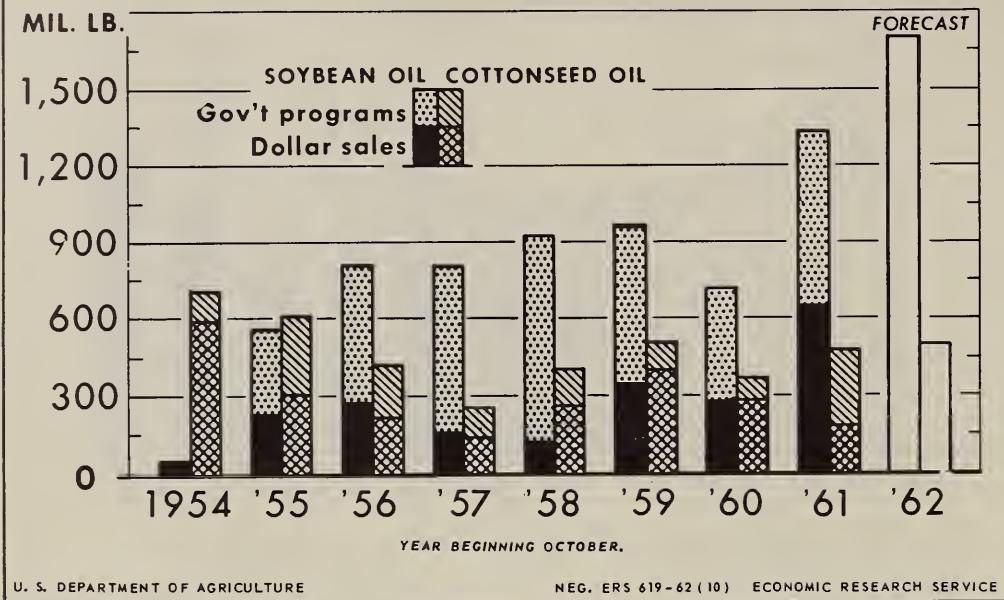


Figure 4

Exports of edible vegetable oils (cottonseed and soybean oils) for 1962-63 are forecast at a record 2.2 billion pounds, up about 20 percent from the 1.8 billion pounds shipped abroad last year and double the 1960-61 volume. (Figure 4.) Soybean oil exports during 1962-63 are expected to total a record 1,700 million pounds, 30 percent more than last year. The increase would mainly reflect a heavy movement of oil under the Food for Peace Program. Cottonseed oil exports are forecast at 475 million pounds, or about the same as last year.

Export sales of edible oils for dollars are expected to total about 900 million pounds (40 percent of the total) compared with 840 million in 1961-62, as Spain continues to be a major taker, accounting for roughly half of the total dollar movement estimated for 1962-63.

Exports of cottonseed and soybean oils under P. L. 480 (excluding Title III, foreign donations) are estimated at 1.1 billion pounds compared with 0.7 billion in 1961-62. The rise is mainly in Title I (sales for foreign currencies). Exports of edible oils under Title III during 1962-63 are placed at 200 million pounds (CCC on October 1, 1962 owned 180 million pounds of shortening and cooking and salad oils purchased during 1961-62), down slightly from the 270 million last year, as the foreign donations program tends to shift to butter.

Based on the above estimates of domestic and export requirements, carryover stocks of all food fats on October 1, 1963 will be down 5-10 percent from the 2.6 billion pounds (including stocks of soybeans--oil equivalent--shortening and salad and cooking oils) on the same date this year.

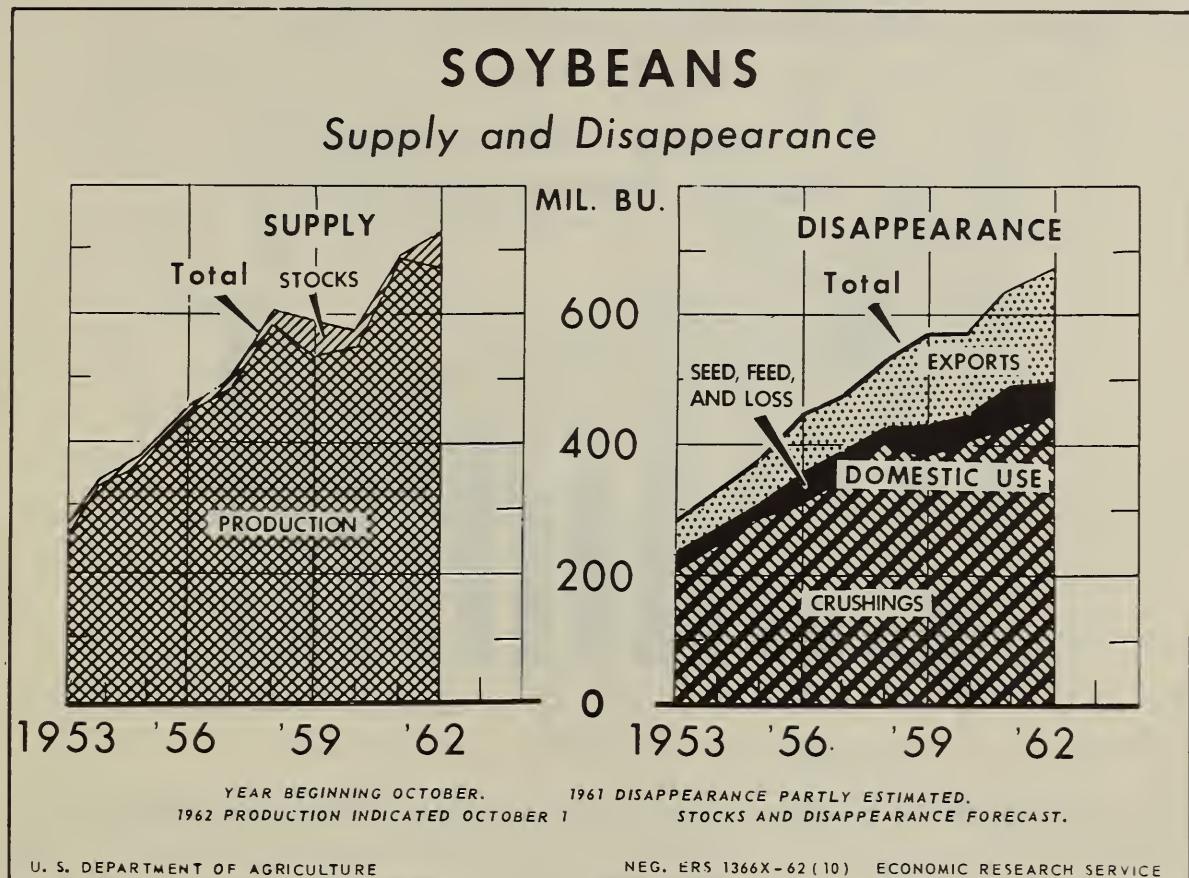


Figure 5

Soybean supplies in the U. S. during the 1962-63 marketing year are placed at 727 million bushels, 28 million more than the previous year. The 1962 soybean crop is down about 3 percent from last year but carryover stocks on October 1, 1962 were 58 million bushels, up 52 million from the same date last year. Of the 58 million bushels carryover, 40 million were in the hands of CCC and another 11 million bushels of 1961 crop beans were resealed in farm storage. The season average price received by farmers for 1962 crop soybeans is expected to approximate the \$2.28 per bushel received for the 1961 crop even though the support price is 5 cents less than last year.

Soybean crushings in 1962-63 are forecast at a record 450 million bushels, up 3 percent from the 439 million bushel rate last year. (Figure 5.) A bean crush this size would produce about 5.0 billion pounds of crude soybean oil and 10.6 million tons of soybean meal. According to trade estimates, soybean crushing capacity

in 1962-63 will be about 550 million bushels, not much different from last year. Domestic use of soybean oil probably will total about 3.5 billion pounds and soybean oil exports around 1.7 billion pounds, both new record highs. Domestic use of soybean meal during 1962-63 is placed at 9.6 million tons, up 5 percent from the last feeding year whereas exports of soybean meal may be down around 10 percent from last year's peak of 1.1 million tons.

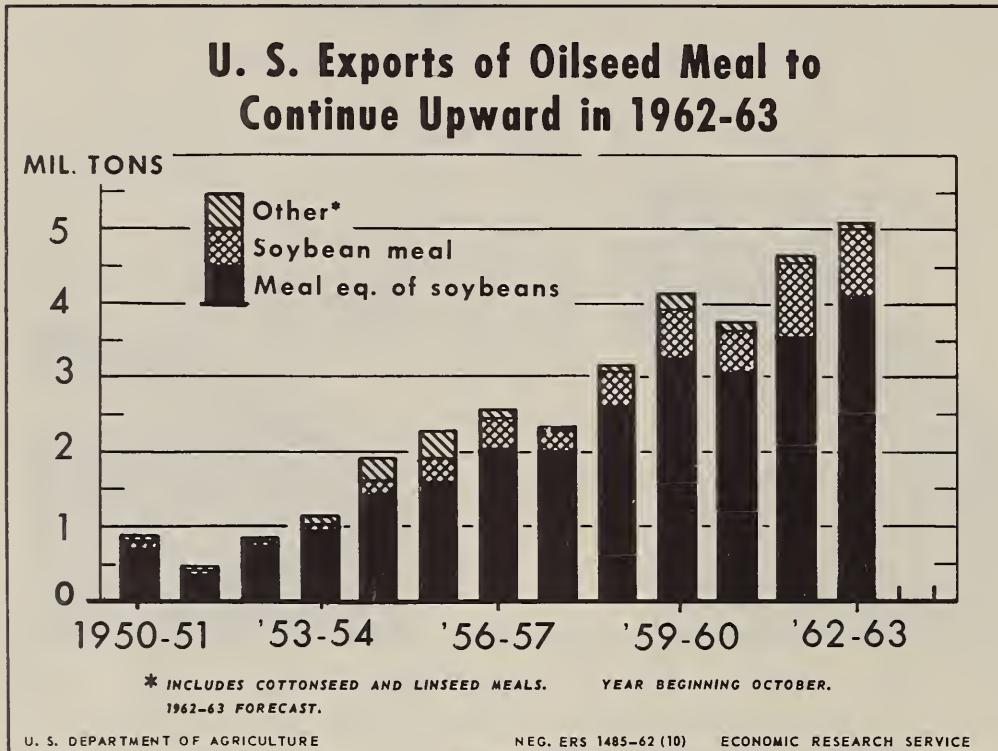


Figure 6

The export demand for oilseed cakes and meal is strong and continues upward particularly in Western Europe. During 1962-63, however, a larger proportion of European meal requirements probably will be imported in the form of U. S. soybeans and hence, meal exports as such may be off slightly. (Figure 6.) Western Europe has a large crushing industry and they prefer to import raw materials (soybeans) for processing rather than products (oil and meal).

Record exports of meal in 1961-62 were the result of an expanding demand, particularly in Europe, unusually bad weather in Europe, an increase in the knowledge of the feeding value of soybean meal, and low oil prices in Europe. Also, European users prefer U. S. toasted soybean meal because of its high quality.

The basic underlying factor which stimulated the rapid rise in soybean exports in the last decade--from 17 million in 1951-52 to 153 million in 1961-62--still exist. With strong foreign demand for beans, exports are forecast at 175 million bushels, up

22 million bushels from the previous high achieved in 1961-62. (Figure 7.) The increase over last year is expected to go mainly to Europe and Japan.

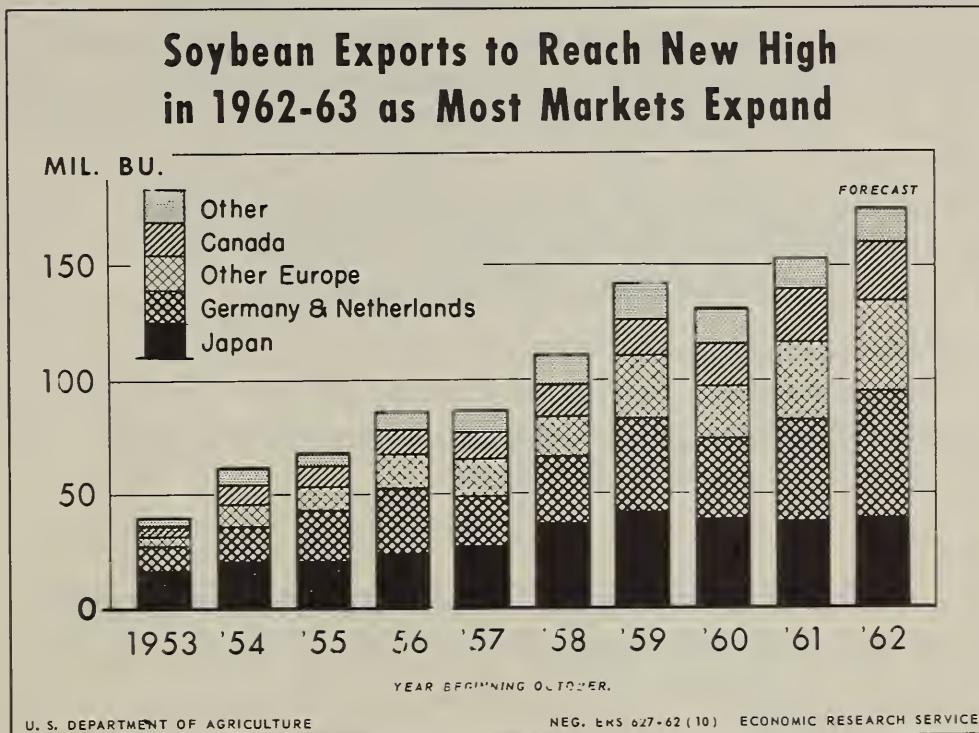


Figure 7

Record soybean exports in 1961-62 of 153 million bushels resulted from (1) rising European livestock population and increased feeding of soybean meal and other concentrates; (2) increased consumption of soybeans in Japan, aided by freeing soybeans from import licenses; (3) strengthened demand for soybean meal in Canada; and (4) continued mediocre crops in Communist China which kept Chinese exports of soybeans and other oilseeds to Europe at a low level.

If soybean crushing (450 million bushels) and soybean exports (175 million bushels) estimates are reasonably accurate, carryover stocks of old crop beans on October 1, 1963, may be around 60 million bushels, about the same as on the same date this year but below the record 62 million bushels of October 1, 1959. Most of the carryover of 1962 crop beans likely will be in the hands of CCC as was the case this year. A soybean carryover of 60 million bushels would be about 1 month's requirement for crushing and export.

Despite record disappearance, soybean oil prices (crude, Decatur) for the entire 1962-63 marketing year are forecast at an average of around 9.0 cents per pound compared with 9.5 cents last year. Record large stocks of oil (including finished products) and continued heavy crushings to meet current meal demand are

dominant factors in the outlook. Soybean meal prices (bulk, Decatur) for 1962-63 are forecast at or above the average of \$65 per ton in 1961-62.

Total supplies of cottonseed in 1962-63 (carryover stocks on August 1, 1962, plus production) are placed at 6.4 million tons, 4 percent more than in 1961-62. Assuming the usual 92 percent of the crop will move to oil mills for crushing, the total crush for the 1962-63 season probably will be around 5.6 million tons compared with 5.5 million tons the year before. A crush this size will produce around 1.9 billion pounds of crude cotton oil and about 2.6 million tons of cake and meal. Domestic use of cotton oil is expected to increase slightly in 1962-63 and with exports about the same as last year, a further buildup in carryover stocks next fall is in prospect.

Cottonseed oil prices (crude, Valley) for the entire August-July 1962-63 marketing year are forecast at an average of around 11.0 cents per pound compared with 12.4 cents the previous year. Cottonseed meal prices (bulk, Memphis) are expected to average above the \$59 per ton level in 1961-62.

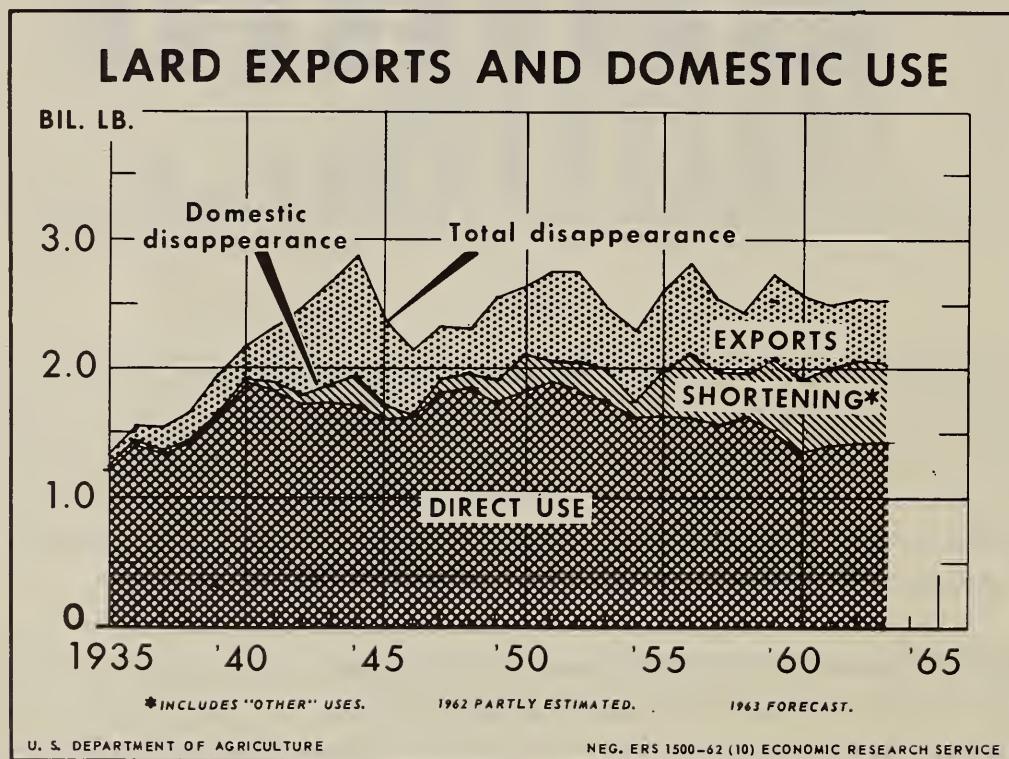


Figure 8

Lard supplies (including farm) in the 1962-63 marketing year which began October 1 are forecast at 2,600 million pounds, about the same as in 1961-62, as smaller starting stocks offset a slight increase in output. Lard prices (tanks, loose, Chicago) probably will average around 9.0 cents per pound for the entire marketing year compared with 8.6 cents in 1961-62. Lard exports (including shipments) are forecast at 500 million pounds, about the same level as last year and will represent about one-fifth of our lard output. (Figure 8.)

Domestic disappearance of lard (including farm) in 1962-63 is forecast at 2,000 million pounds, approximately the same as the previous year. The direct use of lard as such during 1962-63 probably will total around 1,350 million pounds, about the same as the year before. Another 100 million pounds may be used mainly in margarine. This will leave about 550 million pounds of lard for use in shortening manufacture compared with 562 million pounds consumed during 1961-62.

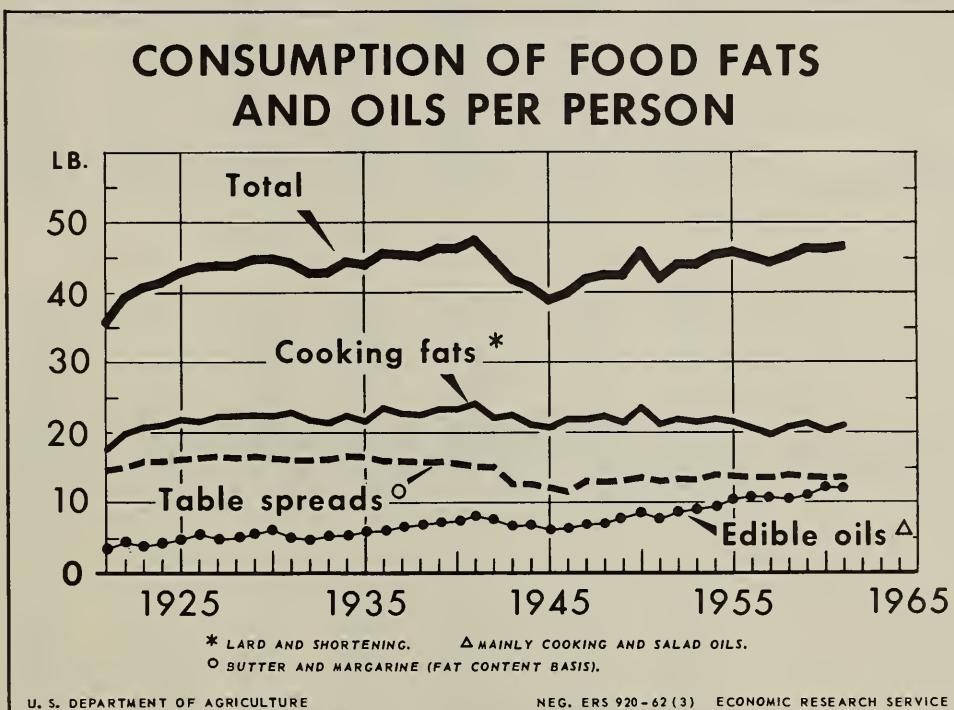


Figure 9

Before closing I would like to touch briefly on the long run trends in food fat usage in the United States.

Consumption of food fats and oils per person has varied within a narrow range over the past 40 years (excluding war years), averaging roughly 45 pounds (fat content) annually. (Figure 9.) Reduced consumption of table spreads has been about offset by an increase in edible oils, while the cooking fats have remained virtually unchanged. These food fat consumption trends are expected to continue over the next few years.

Fat and cholesterol awareness on the part of many consumers apparently has not visibly affected the total food fat intake. About the only indication so far of "fat consciousness" has been some tendency to shift from the solid fats to the liquids and from animal fats to the vegetable fats.

Food fats and oils: Supply and disposition, 1955-63

Item	Year beginning October									
	Forecast									
	1955	1956	1957	1958	1959	1960	1961	1/	1962	1963
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.
<u>Stocks, October 1</u>										
Soybeans--oil equivalent 2/	108	41	109	231	680	256	66	636	3/660	
Butter	295	90	145	146	93	136	238	421	445	
Lard	75	123	69	46	93	92	100	73	100	
Cottonseed oil	361	254	146	154	190	217	170	296	375	
Soybean oil	179	227	286	281	298	308	677	607	500	
Others 4/	51	66	49	56	60	78	67	81	85	
Sub-total	952	760	694	5/683	734	830	1,252	1,478	1,505	
Finished products 6/	111	129	113	118	112	156	249	442	300	
Total food fats and oils	1,103	889	807	801	876	987	1,501	1,920	1,805	
<u>Imports</u>										
	59	52	70	74	66	81	91	85		
<u>Production</u>										
Butter	1,563	1,527	1,502	1,413	1,435	1,488	1,612	1,600		
Lard	2,852	2,614	2,423	2,679	2,726	2,484	2,482	2,525		
Cottonseed oil 7/	1,893	1,629	1,420	1,589	1,832	1,786	1,951	1,900		
Soybean oil	3,143	3,431	3,800	4,251	4,338	4,420	4,790	4,950		
Other 4/ 7/	667	719	678	767	771	859	872	900		
Sub-total	10,118	9,920	9,823	10,700	11,102	11,037	11,707	11,875		
Soybean exports (oil equiv.)	741	937	939	1,209	1,552	1,431	1,684	1,925		
Total food fats and oils	10,859	10,857	10,762	11,909	12,654	12,468	13,391	13,800		
<u>Total supply</u>	12,021	11,798	11,639	12,784	13,596	13,536	14,983	15,805		
<u>Exports</u> 8/										
Butter	244	18	36	19	22	9	15	125		
Lard	719	590	461	608	716	513	505	500		
Cottonseed oil 7/	617	427	250	406	506	9/371	9/471	16/ 475		
Soybean oil	556	807	804	930	953	9/721	9/1,310	[1,700		
Other 4/ 7/	50	62	19	34	43	9/ 40	11	50		
Adjustment 10/	52	61	85	117	88	83	72	100		
Sub-total	2,238	1,965	1,655	2,114	2,328	1,737	2,384	2,950		
Soybeans (oil equivalent)	741	937	939	1,209	1,552	1,431	1,684	1,925		
Total exports	2,979	2,903	2,593	3,323	3,880	3,168	4,068	4,875		
<u>Domestic use</u>										
Butter	1,526	1,458	1,467	1,449	1,373	1,378	1,416	1,450		
Lard 11/	2,065	2,039	1,994	2,024	2,005	1,968	2,003	2,000		
Cottonseed oil	1,384	1,310	1,195	1,147	1,299	1,461	12/ 1,351	1,400		
Soybean oil	2,539	2,565	3,051	3,304	3,376	3,329	[3,550	3,475		
Other 4/	659	722	719	796	773	908	936	925		
Adjustment 10/	-52	-61	-85	-117	-88	83	-73	-100		
Total 11/	8,121	8,033	8,341	8,603	8,739	8,961	9,184	9,150		
Total (calculated net) 13/	8,134	8,049	8,336	8,579	8,725	8,868	8,990			
<u>Total use for food</u> 14/	7,871	7,886	8,145	8,389	8,438	8,543	8,700	8,850		
<u>Per capita, civilian and military</u> 15/										
Butter (fat content)	Lb.	Lb.	Lb.	Lb.	Lb.	Lb.	Lb.	Lb.		
Other	7.3	6.9	6.8	6.6	6.2	6.1	6.2	6.2		
Total (fat content)	37.9	37.7	38.5	39.4	39.4	39.3	39.3	39.3		

1/ Preliminary. 2/ Not included in total stocks. 3/ Oil equivalent of 60 million bushels of soybeans.
 4/ Includes beef fats, peanut, corn, olive and sesame oils. 5/ Adjusted to new Census basis which includes hydrogenated oils and stearin. 6/ Shortening and salad and cooking oils. 7/ Includes oil equivalent of oilseeds exported. 8/ Includes shipments. Butter, cottonseed oil and adjustments include quantities from CCC stocks that are not reported in census data. 9/ Includes estimates of foreign donations of fats and oils, not reported by Census. 10/ Includes exports of processed food oils not classified by kind, shortening and other secondary fats. 11/ Adjusted for estimated changes in stocks of farm lard. 12/ Includes 180 million pounds of shortening and salad and cooking oils purchased by CCC for foreign donations but not exported in 1961-62. 13/ Adjusted to reflect changes in stocks of finished products. 14/ Excludes food fats used for non-food purposes, but includes non-food oils (mostly coconut and palm kernel) used in food. 15/ Adjusted for trade and changes in stocks of shortening, margarine and salad and cooking oils. 16/ Includes 180 million pounds of shortening and salad and cooking oils (125 million SBO and 55 million CSO) which was held by CCC on October 1, 1962 for foreign donations during 1962-63. Totals computed from unrounded numbers.

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